

**GLA Land and Property Limited**  
Annual Report and Financial Statements

1 April 2015 to 31 March 2016

**AUDITED**

Registered Office  
Windsor House  
42-50 Victoria Street  
London SW1H 0TL

Registered in England and Wales  
07911046

# Contents

	Page
Directors' Report	3
Strategic Report	6
Statement of Directors' Responsibilities	7
Independent Auditor's Report	9
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	15
Notes to the Financial Statements	16

# Directors' Report

## Introduction

The directors present their report on the affairs of GLA Land and Property Limited (the "Company"), (registration number 07911046), together with the unaudited financial statements for the accounting period of 1 April 2015 to 31 March 2016 ("accounting period").

The Company has prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

## Principal activities

The principal activities of the Company are the purchase, sale and development of land or property, and the holding of land or property for capital growth or rental.

## Share capital

The Company had one share in issue at 1 April 2015 and 31 March 2016.

## Articles of Association

The Articles of Association set out the basic management and administrative structure of the Company. They regulate the internal affairs of the Company and cover such matters as the issue and transfer of shares, Board and shareholder meetings, powers and duties of Directors and borrowing powers. In accordance with the Articles of Association, Directors can be appointed or removed by shareholders in a general meeting.

The Articles may only be amended by special resolution at a general meeting of shareholders. Copies are available by writing to the Company Secretary and are also available from Companies House.

## Directors

The directors who served during the accounting period were:

Mr Martin Clarke  
Mr David Lunts  
Sir Edward Udny-Lister  
Mr Richard Blakeway

None of the directors had any beneficial interest in the shares of the Company, its joint venture or associate.

There were no contracts of significance during the financial period in which a Director is or was materially interested.

## Directors' indemnities

The Greater London Authority indemnifies the Directors to the maximum extent permitted by law in respect of all costs, charges, expenses, losses and liabilities, which they may incur in or about the execution of their duties to the Company or any entity which is an associated company (as defined in Section 256 of the Companies Act 2006), or as a result of the duties performed by the Directors on behalf of the Company or any such associated company.

## Shareholders

# Directors' Report

100% of the share capital in the Company is held by Greater London Authority Holdings Ltd.

## Sustainability

The Company complies with the sustainability policies of the Greater London Authority.

## Essential contracts

The Company has contractual and other arrangements with numerous third parties in support of its business activities. None of the arrangements is individually considered to be essential to the business of the Company.

## Payment of creditors

It is the Company's policy to abide by the agreed payment terms where a supplier has provided the goods and services in accordance with the relevant terms and conditions of contract. In addition, it is the company's policy to pay small and medium sized entities within 10 working days.

## Risk management

The Company has a risk management process and arrangements that enable it systematically to identify, assess, manage and monitor business risks.

## Employees

The Company has no directly employed staff. Staff employed by the Greater London Authority, perform duties on behalf of GLA Land and Property Limited and their time and related overheads are recharged to the Company at cost.

## Charitable and political donations

No charitable or political donations were made during the accounting period.

## Trading results and dividends

The Company's profit after taxation was £49.9 million. It is not proposed to declare a dividend for the period 1 April 2015 to 31 March 2016.

## Independent auditors and disclosure of information to the auditors

Pursuant to a Directors' resolution, the Company appointed Ernst & Young as external auditors.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## **Directors' Report**

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Martin Clarke  
Director

29 September 2016

## Strategic Report

The Company inherited 635 hectares of land in April 2012 with a value at the time of £365m.

All of the developable land in the GLA portfolio has now either been developed, is in the course of development, is contractually committed or is currently being marketed for development, all with the aim to encourage investment, create jobs and help meet London's housing needs.

The most significant single development that the Company owns is Greenwich Peninsula which, in recognition of the level of national investment in the site, is subject to a receipt-sharing agreement with the Department for Communities & Local Government. The Company has a development agreement with Knight Dragon Development Ltd (a Chinese-owned company). A new planning consent was granted in November 2015 for 12,678 homes and the creation of circa 12,000 jobs. Added to the 2,822 homes that have either been completed or are currently under construction this will enable 15,720 homes to be delivered on the Greenwich Peninsula.

Master Development Agreements are in place for two major sites in the Royal Docks – Silvertown Quays and Royal Albert Dock.

Silvertown Quays - Agreement was reached with The Silvertown Partnership (TSP) to develop this important site with a scheme centred on 'brand pavilions' which would include the development of Millennium Mills and the construction of a pedestrian bridge across the dock, landing beside the ExCel Centre. TSP secured a resolution to grant planning permission on 21 April 2015. The s106 agreement is almost in completed form, which will enable the planning consent to be granted shortly. During the past six months TSP have embarked on a worldwide search for a funder for the first phase and their preferred partner should be announced in Summer 2016. The initial refurbishment of Millennium Mills using £12m DCLG grant has nearly completed.

Royal Albert Dock - The Company is in contract with development partner ABP (London) Investment Ltd – a subsidiary of Dauphin Holdings Group Ltd, a major Chinese developer – to develop this site primarily for business use and some ancillary residential accommodation, with a focus on Far Eastern businesses who wish to trade with the UK and Europe. Planning consent was granted in December 2015. Start on site is anticipated in early 2017.

In 2015/16, development partners were selected for: Beam Park (Countryside Properties with L&Q) – a 29 hectares of former Ford site in LB Barking & Dagenham that will provide nearly 3,000 homes; land adjacent to Beam Park was acquired by the Company from Ford and will form part of the wider Beam Park development with Countryside Properties. Stephenson Street (Berkeley) – a 10.7 hectares of former Parcelforce site in West Ham that will provide over 3,500 homes and nearly 30,000 sq. ft. of employment space; East+ (Segro) – a portfolio of 35 hectares of industrial land that will create over 1.5m sq. ft. of employment space.

During the period, the Company has performed well; exceptional profits were achieved on property disposals alongside significant increases in the fair value of investment properties. The Company's policy of entering into development agreements, rather than outright sales, in order to ensure that sites are developed in line with the Mayor of London's priorities means that losses may arise until such time as deferred receipt arrangements achieve a critical mass.

In 2016/17 the Company intends to conclude the procurement of delivery partners for Albert Island (10 hectares of employment land in the Royal Docks) and Gallions 3B (a residential site).

The Company plans to continue to develop its land and property with the primary aims of creating jobs and housing in London. The principal risks and uncertainties facing the Company relate to the state of the economy in general, and London in particular, and continuing challenges in the housing market in London.

# Statement of Directors' Responsibilities

## In respect of the Directors' Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with Adopted IFRSs; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

[Page left intentionally blank]



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLA LAND AND PROPERTY LIMITED**

We have audited the financial statements of GLA Land and Property Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flow, and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

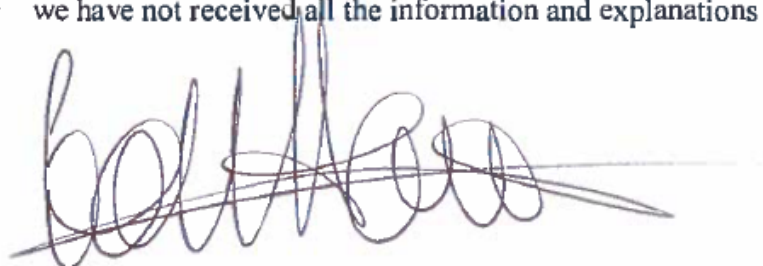
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.



Karl Havers (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
30<sup>th</sup> September 2016

# Statement of Comprehensive Income

	Notes	2015/16		2014/15	
		£000	£000	£000	£000
<b>Continuing operations</b>					
Income from property disposals		(113,409)		(83,246)	
less Greenwich Peninsula disposal proceeds shared with third parties	4	18,923		-	
Rental and other property income		(7,064)	(101,550)	(6,981)	(90,227)
Cost of sales	5,17	43,618		40,153	
Estate management costs	5	10,757	54,375	12,055	52,208
<b>Gross (profit) / loss</b>			<b>(47,175)</b>		<b>(38,019)</b>
Compulsory purchase order costs	5		(379)		(2,277)
Professional fees and other costs	5		2,659		3,351
Administrative expenses	5		6,144		5,315
Overage payable			-		8,314
Contributions payable			500		5,387
Other expenses	6,8		(671)		149
<b>(Profit)/loss from operations</b>			<b>(38,922)</b>		<b>(17,780)</b>
Net (increase)/decrease in fair value of investment property			(3,007)		(16,338)
Other income	7,8		(13,997)		(12,096)
Finance income	8		(5,540)		(3,028)
Finance costs	8		9,998		10,006
<b>(Profit)/loss before tax</b>			<b>(51,468)</b>		<b>(39,236)</b>
Tax	16		1,614		3,296
<b>(Profit)/loss for the period</b>			<b>(49,854)</b>		<b>(35,940)</b>
<b>Other comprehensive (income)/expense:</b>					
<b>Items that will never be reclassified to profit and loss</b>					
Revaluation of property, plant and equipment			(2,032)		(5,448)
Deferred tax on revalued property, plant and equipment		16	(6)		712
<b>Items that are or may be reclassified to profit and loss</b>					
Net change in fair value of available-for-sale financial assets		13	(4,866)		(4,960)
Deferred tax on revalued available for sale assets		16	(223)		194
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		13	4,640		3,076
<b>Other comprehensive (income)/expense, net of tax</b>			<b>(2,487)</b>		<b>(6,426)</b>
<b>Total comprehensive (income)/expense recognised for the period</b>			<b>(52,341)</b>		<b>(42,366)</b>

## Statement of Financial Position

	Note	31 March 2016 £000	31 March 2015 £000
<b>Non-current assets</b>			
Property, plant and equipment	10	20,440	20,235
Investment property	11	52,896	53,664
Loan investments - Non Current	12	37,958	36,728
Available for sale financial assets	13	52,900	58,670
Finance lease receivables -Non Current	14	127,706	75,127
Trade and other receivables - Non Current	15	180	297
<b>Total Non-current assets</b>		<b>292,080</b>	<b>244,721</b>
<b>Current assets</b>			
Inventories	17	192,147	221,549
Finance lease receivables - Current	14	4,136	14,909
Trade and other receivables - Current	15	31,540	8,050
Cash and cash equivalents	18	65,063	25,833
<b>Total current assets</b>		<b>292,886</b>	<b>270,341</b>
<b>Total assets</b>		<b>584,966</b>	<b>515,062</b>
<b>Current liabilities</b>			
Borrowings and overdrafts - Current	21,22	(20,000)	-
Trade and other payables - Current	19	(34,552)	(36,045)
Finance lease liabilities - Current	20	(1)	(1)
Provisions - Current	23	(6,107)	(10,120)
<b>Total current liabilities</b>		<b>(60,660)</b>	<b>(46,166)</b>
<b>Non-current liabilities</b>			
Borrowings - Non Current	21,22	(300,000)	(300,000)
Trade and other payables - Non Current	19	(12,416)	(5,979)
Finance lease liabilities - Non Current	20	(40)	(327)
Provisions - Non Current	23	-	(3,122)
Deferred tax liability	16	(6,219)	(6,178)
<b>Total non-current liabilities</b>		<b>(318,675)</b>	<b>(315,606)</b>
<b>Total liabilities</b>		<b>(379,335)</b>	<b>(361,772)</b>
<b>Net assets</b>		<b>205,631</b>	<b>153,290</b>
<b>Equity</b>			
Revaluation reserve	27	(19,224)	(17,186)
Fair value reserve	27	(28,344)	(27,895)
Pooling of interests reserve	27	(120,745)	(120,745)
Retained earnings		(37,318)	12,536
<b>Total equity</b>		<b>(205,631)</b>	<b>(153,290)</b>

The Company has one £1 share which is held by the Greater London Authority Holdings Limited.

The financial statements were approved by the Board and authorised for issue on 20 June 2016. The financial statements also comprise the notes on pages 16 to 54.

Martin Clarke  
Director

## Statement of Changes in Equity

as at 31 March 2016

	Note	Share capital £000	Pooling of interests reserve £000	Fair Value reserve £000	Revaluation Reserve £000	Retained earnings £000	Total equity £000
<b>At 1 April 2015</b>		-	(120,745)	(27,895)	(17,186)	12,536	(153,290)
(Profit)/loss for the year		-	-	-	-	(49,854)	(49,854)
Revaluation of property, plant and equipment	10	-	-	-	(2,032)	-	(2,032)
Net change in the fair value adjustments on available-for-sale financial assets less amounts reclassified to profit or loss	13	-	-	(226)	-	-	(226)
Tax on items above	16	-	-	(223)	(6)	-	(229)
<b>Total comprehensive (income)/expense recognised for the year ended 31 March 2016</b>		-	-	(449)	(2,038)	(49,854)	(52,341)
Issue of shares		-	-	-	-	-	-
<b>At 31 March 2016</b>		-	(120,745)	(28,344)	(19,224)	(37,318)	(205,631)

The Company has issued one £1 share which is held by Greater London Authority Holdings Limited.

## Statement of Changes in Equity

as at 31 March 2015

	Share capital	Pooling of interests reserve	Fair Value reserve	Revaluation Reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
<b>At 1 April 2014</b>	-	(120,745)	(26,205)	(12,450)	48,476	(110,924)
(Profit)/loss for the year	-	-	-	-	(35,940)	(35,940)
Revaluation of property, plant and equipment	-	-	-	(5,448)	-	(5,448)
Net change in the fair value adjustments on available-for-sale financial assets less amounts reclassified to profit or loss	-	-	(1,884)	-	-	(1,884)
Tax on items above	-	-	194	712	-	906
<b>Total comprehensive (income)/expense recognised for the year ended 31 March 2015</b>	-	-	(1,690)	(4,736)	(35,940)	(42,366)
Issue of shares	-	-	-	-	-	-
<b>At 31 March 2015</b>	-	(120,745)	(27,895)	(17,186)	12,536	(153,290)

The Company has issued one £1 share which is held by Greater London Authority Holdings Limited

## Statement of Cash Flows

For the period ended 31 March

	Notes	2016 £000	2015 £000
(Profit)/loss for the year		(49,854)	(35,940)
Adjustments to profit or loss for non-cash movements	26	19,082	15,151
Adjustments for items included in the profit or loss that are investing and financing activities	26	10,827	3,555
<b>Net cash flows from Operating Activities</b>		<b>(19,945)</b>	<b>(17,234)</b>
Investing Activities	26	(19,285)	(6,740)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(39,230)</b>	<b>(23,974)</b>
Cash and cash equivalents at the beginning of the reporting period		(25,833)	(1,859)
<b>Cash and cash equivalents at the end of the reporting period</b>	18	<b>(65,063)</b>	<b>(25,833)</b>

# Notes to the Financial Statements

## 1. Reporting entity

GLA Land and Property Limited (the “Company”) is a company domiciled in the United Kingdom. The Company’s registration number is 07911046 and its registered office is Windsor House, 42-50 Victoria Street, London, SW1H 0TL.

## 2. Changes in accounting policies and prior period adjustments

The Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements. The Company has not adopted any new standards and amendments to standards with a date of initial application in the Company’s financial statements of 1 April 2015.

No adjustments have been made to the prior year’s figures.

## 3. Statement of accounting policies

This section explains the Company’s main accounting policies.

### a) Basis of preparation

#### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The unaudited financial statements were authorised for issue by the Board of Directors on 20 June 2016.

#### Basis of measurement

The accounts are made up to 31 March and have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current assets and financial instruments.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader’s understanding of the Company’s financial performance.

#### Associates and joint ventures

The Company has interests in other entities that have the nature of associates and joint ventures. In the Company’s accounts, the interests in these entities are recorded as financial assets at cost, less any provision for losses.

### b) New standards and interpretations

Standards and interpretations issued by the International Accounting Standards Board (‘IASB’) are only applicable if endorsed by the EU.

The following revisions to IFRS will be applicable to the Company in future periods, subject to endorsement where applicable. The Company does not plan to adopt this standard early:

**IFRS 9 Financial Instruments (2010) (effective date annual periods beginning on or after 1 January 2018)** modifies the classification and measurement of certain classes of financial assets and liabilities. The most significant change is to rationalise the primary categories of financial assets to amortised cost and fair value through profit and loss, and to allow an entity to elect to present in Other Comprehensive Income changes in fair value of equity instruments that are not held for trading. The



## Notes to the Financial Statements

new standard could change how the Company classifies financial instruments and recognises changes in fair value. The most significant impact would be on equity mortgages that are currently classified as available for sale with changes in fair value reported in Other Comprehensive Income. Under IFRS 9 the equity mortgages would be classified as fair value through profit and loss and this would increase the volatility of the reported profit or loss as changes in value would be taken to the profit or loss at the end of each reporting period rather than on disposal of the financial instrument. The new standard will be applicable to the Company's financial statements from 2018/19 onwards.

**IAS 1 Presentation of Financial Statements (effective date annual periods beginning on or after 1 January 2016)** – These are amendments resulting from the disclosure initiative and it is not anticipated that these will have a material impact on the financial statements.

**IFRS 16 Leases (effective date annual periods beginning on or after 1 January 2019)** – The new standard will be applicable to the Company's financial statements from 2019/20 onwards. The new standard will require lessees to recognise assets and liabilities of both operating and financial leases on the balance sheet, at present these are only recognised for finance leases. At present the Company does not lease in any assets on operating leases so the new standard will not have an impact on the Company's financial statement.

**IFRS 15 Revenue from Contracts with Customers (effective date annual periods beginning on or after 1 January 2018)** – The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard will be applicable to the Company's financial statements from 2018/19 onwards. It is not anticipated that these will have a material impact on the financial statements.

The Company does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

### **c) Uses of estimates and judgements**

The preparation of the financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below:

**Carrying value of inventory** – The Company holds land and buildings for sale and also for development and subsequent sale. Annual valuation reviews are undertaken to identify property held for sale or developments in progress where the Statement of Financial Position value is more than the lower of cost or net realisable value.

By its nature, this process involves a significant amount of estimation uncertainty, particularly given the complexity of some of the Company's properties, and the current market conditions. Valuations are performed by qualified independent external valuers. The methods used by the valuers in determining realisable value are listed below. All rely heavily on the use of assumptions and judgements.

## Notes to the Financial Statements

- Comparison method – used when there is market evidence of land sale prices for sites with broadly similar development characteristics. Adjustments are then made for timing of the comparable transaction, size of the site, location, ground conditions and planning;
- Residual method - the valuers assess the gross development value of an assumed completed scheme and make deductions of the estimated future costs of development (including developer's profit, remediation costs and finance) to arrive at the underlying residual site value;
- Income approach – used for sites subject to a Development Agreement with contracted receipts to the Company. On this valuation basis the receipts are discounted to arrive at the present value at a rate of return which represents the time value of money and the relative risks of the capital receipt.

In calculating the net realisable value, a deduction is required for disposal costs. Market evidence suggests that 3.5% is a reasonable estimate, and comprises marketing and miscellaneous costs 2%, agents fees 1% and legal fees 0.5%.

Where the estimated net realisable value is less than its carrying value within the Statement of Financial Position, the Company impairs the carrying value. In the period to 31 March 2016, this review resulted in an £0.98m impairment charge (2014/15 - £2.7m) offset by a reversal of £1.8m of previous impairments (2014/15 £5.8m) See note 17 for further details.

**Fair value of investment properties** - For income producing properties, the valuers adopted an investment approach where they applied a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice, the valuations adopt hard-core methodology where the reversions are generated from regular short term uplifts of market rent. A term and reversion approach is normally applied where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation.

The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in the RICS Valuation – Professional Standards January 2014 (“the Red Book” (9th edition)). Where circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the valuers will generally set out the reasons for this in their report.

**Fair value of vacant buildings** - In addition to the above methodology, the fair value of vacant buildings may also be valued and analysed on a comparison method with other capital value transactions where applicable.

**Fair value of available for sale financial assets** - Available for sale financial assets relate mainly to Equity Mortgages - amounts receivable individually from the private owners of housing units when their properties are sold and are secured by a second charge over their property.

Equity Mortgages are valued with reference to published house price indices (February 2016 data used as March 2016 was unavailable when the financial statements were being prepared). For equity interests in housing units, the fair value at the Statement of Financial Position date is calculated using movements in the Office for National Statistics house price index for the London region, this

## Notes to the Financial Statements

being the most relevant available observable market data. However these only provide an estimate of the fair value of these assets because house price indices cannot accurately predict the value of individual units and disposal proceeds to date, although a good indicator of market performance may not occur at the same level in the future as disposals to date represent only a small portion of the portfolio.

At 31 March 2016 the asset recognised on the Statement of Financial Position was £52.9m (£58.7m at 31 March 2015). See note 13 for further details.

**Depreciation of property, plant and equipment** - Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in accounting policy (i). The selection of these residual values and estimated lives requires the exercise of management judgement. See note 10 for further details.

**Leases** - In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Company. Given that finance leases are recognised as liabilities, and operating leases are not, this can have a significant effect on the reported financial position of the Company. See notes 14 and 20 for further details.

**Determining whether an arrangement contains a lease** - When determining whether an arrangement contains a lease, as required by IFRIC 4, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the Statement of Financial Position this can have a significant effect on the reported financial position of the Company.

**Provisions** - Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Company. This can be very complex, especially when there is a wide range of possible outcomes. See note 23 for further details.

**Classification of investment properties** - IAS 40 *Investment properties* ("IAS 40") requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value, with movements in the fair value being recorded in the Statement of Comprehensive Income, this could have a significant effect on the financial performance of the Company. In 2015/16 there was an increase of £3.0m (£16.3m increase in 2014/15) in the fair value of investment properties. See note 11 for further details.

### **d) Going concern**

The financial statements have been prepared on a going concern basis and the directors believe this basis to be appropriate for the following reasons:

The performance of the Company has strengthened in year with the Company achieving a profit for the period of £49.9m (£35.9m profit for period ended 31 March 2015); this performance has strengthened the balance sheet with net assets currently totalling £206m (£153m at 31 March 2015). Further to this, the Company's liquidity position is assured as the Greater London Authority has provided written assurances to the Company's directors that, so long as the Company is a subsidiary of the GLA, the GLA will continue to make sufficient monies available to the Company to enable it to meet all its debts as they fall due.

## Notes to the Financial Statements

The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

### e) Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax.

Revenue is recognised as follows:

#### Development properties and land sales

Revenue is recognised in the Statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the purchaser. It is considered that risks and rewards pass on legal completion. Revenue in respect of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

#### Rental income

Rental income from investment property is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### Grants and contributions

Both monetary and non-monetary grants and contributions, in recognition of specific expenses are recognised in profit or loss in the same period as the relevant expenses. Where grants are received in advance of the relevant expense being incurred, the grant is initially held as deferred income and recognised in profit or loss when the expense is incurred. Similarly, grants related to depreciable assets are recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised. Grants related to non-depreciable assets that require the fulfilment of certain obligations are recognised in profit or loss over the periods that bear the cost of meeting the obligations. Non-monetary grants are measured at their fair values.

### f) Leases

#### Leases (the Company as lessee)

##### Leased assets

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's Statement of Financial Position.

##### Lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

## Notes to the Financial Statements

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

### Leases (the Company as lessor)

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases and initial direct costs are recognised on a straight line basis over the term of the relevant lease.

### g) Financing income and expenses

Financing and investment income comprises interest income on funds invested. Interest income is recognised as it accrues in the Statement of Comprehensive Income, using the effective interest rate method.

Financing and investment costs comprise interest expense on borrowings and the finance lease liabilities. Borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest rate method.

### h) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

## Notes to the Financial Statements

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority and the Company intends to settle the current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **i) Property, plant and equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Statement of Financial Position using the following measurement bases:

Property - fair value, where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Non-property assets that have short useful lives or low values (or both) - depreciated historical cost basis as a proxy for fair value.

Assets included in the Statement of Financial Position at fair value are revalued annually to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

## Notes to the Financial Statements

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down and charged to the Statement of Comprehensive Income .

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down and charged to the Statement of Comprehensive Income .

Where an impairment loss is reversed subsequently, the reversal is credited in other comprehensive income and increases the revaluation surplus for that asset. However, if the previous impairment loss was previously recognised in profit or loss, the reversal is recognised in profit or loss, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation applies to all items of property, plant and equipment whether held at historical cost or revalued amount, with the exception of land where it can be demonstrated that the asset has an unlimited useful life.

The depreciation charge is based on the depreciable amount allocated over an asset's useful life. The methods of depreciation that reflect the pattern in which the future economic benefits or service potential of different assets are expected to be consumed, are determined as follows:

- Buildings: Straight-line allocation over the life of the property, generally between 10 and 60 years; and
- Vehicles, plant and equipment: Straight line allocation over the life of the asset generally between 3 and 30 years.

Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised. Depreciation begins at the date of acquisition and is reset on revaluation.

The residual value of an item of property, plant and equipment, its useful life and depreciation method are reviewed at least at each financial year end and, if expectations differ from previous reviews or there has been a significant change in the pattern of consumption of future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Revaluation gains are also depreciated.

## Notes to the Financial Statements

### Component Accounting

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

### Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Statement of Financial Position is written off to Statement of Comprehensive Income as part of the gain or loss on disposal. Receipts from disposals are credited to the Statement of Comprehensive Income as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to Retained Earnings.

### j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property is measured initially at cost and subsequently measured at fair value with any changes therein recognised in the Statement of Comprehensive Income.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in Other Income in the Statement of Comprehensive Income. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

If the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification will become its cost for subsequent accounting.

Investment properties held at fair value are not subject to depreciation.

Properties are valued annually by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines.

### k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Expenditure, of £20,000 and above, on direct materials, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition, is capitalised. Expenditure below £20,000 may be grouped and capitalised where practicable to do so.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised as inventory when the significant risks and rewards of ownership have been transferred to the Company.



## Notes to the Financial Statements

Contributions of services that enhance inventory are measured by referring to the fair value of the services received.

Non-refundable land option payments are initially recognised in inventory and are written off to the Statement of Comprehensive Income when it is probable that they will not be exercised.

### **l) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **m) Contingent liabilities and assets**

The Company recognises contingent assets and liabilities in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Contingent liability** - A possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent liabilities are not recognised in the Statement of Financial Position but disclosed in a note to the accounts.

**Contingent asset** - A possible asset that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent assets are not recognised in the Statement of Financial Position but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **n) Reserves**

Retained earnings represent the accumulated surplus or deficit to date.

The Revaluation Reserve contains the gains made from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired or are disposed of and the gains are realised.

The Fair Value reserve contains the movements in the fair value of available for sale financial assets; cumulative gains or losses previously reported in the fair value reserve are recognised in the profit or loss when the asset is derecognised or impaired.

The Pooling of Interests reserve contains the equity effect of the transfer of balances on 1 April 2012 from the Homes and Communities Agency and the now abolished London Thames Gateway Development Corporation and the London Development Agency.

# Notes to the Financial Statements

## **o) Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instruments.

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* ('IAS 39') are classified as:

- Financial assets at fair value through profit and loss;
- loans and receivables; or
- available for sale financial assets.

Financial liabilities within the scope of IAS 39 are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

The Company determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transactional costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on their classification as follows:

### **Financial assets at fair value through profit and loss (held for trading)**

Financial assets are classified as held for trading if they are acquired for sale in the short term. Assets are carried in the Statement of Financial Position at fair value with gains or losses recognised in profit or loss.

### **Loans and receivables**

Loans, finance lease receivables, trade and other receivables are classified as 'loans and receivables'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss, or available for sale. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### **Loans**

Loans are shown at amortised cost using the effective interest rate and are included within non-current assets.

### **Trade and other receivables**

Trade and other receivables are measured at amortised cost less a provision for impairment. The provision is based on objective evidence that the company will not be able to recover all amounts due, through a review of all accounts and experience of collecting outstanding balances. The net of these balances are classified as 'trade and other receivables' in the Statement of Financial Position.

### **Available for sale financial assets**

#### **Equity Mortgages**

Equity mortgages were transferred from the Homes and Communities Agency ("HCA") to the Company on 1 April 2012. They represent the financial assistance provided to home buyers to buy a share in a new build home. The buyer took out a mortgage, which along with any deposit, was a minimum of 50% of the full purchase price of the property. In return the HCA provided up to 50% of

## Notes to the Financial Statements

the full property price. The assistance was paid to the participating housebuilder, not the buyer. As part of the sales agreement, the Company has an entitlement to a share of the future sales proceeds which will be equal to the initial percentage contribution. This is secured by a second charge on the property and is classified as an available for sale financial instrument and is stated at fair value.

Equity Mortgages are valued with reference to published house price indices (February 2016 indices). For equity interests in housing units, the fair value at 31 March is calculated using movements in the Office for National Statistics house price index for the London region, this being the most relevant available observable market data. However these only provide an estimate of the fair value of these assets because house price indices cannot accurately predict the value of individual units and disposal proceeds to date, although a good indicator of market performance, may not occur at the same level in the future, as disposals to date represent only a small portion of the portfolio.

### Equity Investments

Investments in private sector developments, where the returns are based on a share of the profitability of the scheme, are classified as available for sale and are stated at fair value.

Other equity investments that are not accounted for using the equity method are classified as available-for-sale financial assets where there is currently no intention to sell these financial assets. They are carried at cost in the financial statements if there is no active market for those companies and fair values cannot be reliably ascertained without undue cost or effort. Impairments are recognized if there are indications that fair value is lower than cost.

Gains or losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses for which any cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Where the financial asset is disposed of, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated equity is recognised in profit or loss.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of less than or equal to ninety days.

### Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost.

Non-derivative financial liabilities are initially recognised at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised or impaired, as well as through the amortisation process.

### Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

### Interest bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

# Notes to the Financial Statements

## Obligations under finance leases

All obligations under finance leases are classified as financial liabilities measured at amortised cost.

## Impairment of financial assets

Financial assets are assessed at each Statement of Financial Position date to determine whether there is any objective evidence of impairment. Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the Statement of Comprehensive Income.

## 4. Sharing of Disposal Proceeds

The Department for Communities and Local Government ("DCLG") and the BIG Lottery Fund are entitled to receive shares of the proceeds of certain land disposals on the Greenwich Peninsula after the deduction of agreed costs. In 2015/16, £3.7m was payable to the Big Lottery Fund and £15.2m was payable to the DCLG.

## 5. Expenditure by type

Period ended 31 March	2016	2015
	£000	£000
<b>The operating profit or loss is stated after charging:</b>		
Cost of inventory sold	44,447	43,188
Net write down/(reversal) of inventory to net realisable value	(829)	(3,034)
Compulsory purchase order provision release	(379)	(2,277)
Estate management costs	10,757	12,055
Administrative costs recharge from the GLA	3,881	3,624
Depreciation expense	1,958	1,403
Auditor's fees for the audit of these financial statements	112	112
Other administrative expenses	2,852	3,526
<b>Total cost of sales and other costs</b>	<b>62,799</b>	<b>58,597</b>

## 6. Other expenses

Period ended 31 March	2016	2015
	£000	£000
Impairment/(write back) loss on loans and receivables	(398)	443
Impairment loss /(reversal) on available for sale financial assets	(273)	(294)
<b>Total other expenses</b>	<b>(671)</b>	<b>149</b>

# Notes to the Financial Statements

## 7. Other income

Period ended 31 March	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Net (gain)/loss on sale of investment property	(5,471)	-
Net (gain)/loss on disposal of available-for-sale financial assets reclassified from equity	(5,356)	(3,555)
Fees and charges	-	(157)
Overage	(2,465)	(2,120)
Other income	(705)	(6,264)
<b>Total other income</b>	<b>(13,997)</b>	<b>(12,096)</b>

## 8. Financial instruments - income, expenses, gains and losses

2015/16	<b>Financial Liabilities measured at amortised costs</b>	<b>Financial Assets: Loans and receivables</b>	<b>Financial Assets: Available for sale</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Interest expense	9,992	-	-	9,992
Finance lease interest	6	-	-	6
Impairment losses/(reversals)	-	(398)	(273)	(671)
<b>Total expense reported in profit or loss</b>	<b>9,998</b>	<b>(398)</b>	<b>(273)</b>	<b>9,327</b>
Interest income	-	(1,024)	-	(1,024)
Finance lease interest	-	(4,269)	-	(4,269)
Gains on derecognition	-	-	(5,356)	(5,356)
Unwind of discount on non-interest bearing loan	-	(247)	-	(247)
<b>Total income reported in profit or loss</b>	<b>-</b>	<b>(5,540)</b>	<b>(5,356)</b>	<b>(10,896)</b>
Net change in fair value of available-for-sale financial assets	-	-	(4,866)	(4,866)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	4,640	4,640
<b>(Gains)/ losses on financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(226)</b>	<b>(226)</b>
<b>Net (gain)/loss for the period</b>	<b>9,998</b>	<b>(5,938)</b>	<b>(5,855)</b>	<b>(1,795)</b>

# Notes to the Financial Statements

## Financial instruments - income, expenses, gains and losses (continued)

2014/15

	Financial Liabilities measured at amortised costs	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000	£000	£000	£000
Interest expense	9,991	-	-	9,991
Finance lease interest	15	-	-	15
Impairment losses/(reversals)	-	444	(294)	150
<b>Total expense reported in profit or loss</b>	<b>10,006</b>	<b>444</b>	<b>(294)</b>	<b>10,156</b>
Interest income	-	(976)	-	(976)
Finance lease interest	-	(1,810)	-	(1,810)
Gains on derecognition	-	-	(3,555)	(3,555)
Unwind of discount on non-interest bearing loan	-	(242)	-	(242)
<b>Total income reported in profit or loss</b>	<b>-</b>	<b>(3,028)</b>	<b>(3,555)</b>	<b>(6,583)</b>
Net change in fair value of available-for-sale financial assets	-	-	(4,960)	(4,960)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	3,076	3,076
<b>(Gains)/ losses on financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>(1,884)</b>	<b>(1,884)</b>
<b>Net (gain)/loss for the period</b>	<b>10,006</b>	<b>(2,584)</b>	<b>(5,733)</b>	<b>1,689</b>

# Notes to the Financial Statements

## 9. Operating leases

The Company leases out investment property under operating leases for a variety of purposes within the London community including the provision of:

- accommodation for local businesses; and
- commercial services for the community.

### Company as lessor

**The total future minimum lease payments receivable under non-cancellable leases in future years are:**

	<b>31 March 2016</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	807	986
Later than one year and not later than five years	2,507	2,615
Later than five years	2,495	1,767
	<b>5,809</b>	<b>5,368</b>

**The income credited to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:**

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Rent receivable in year	1,251	1,078
	<b>1,251</b>	<b>1,078</b>

# Notes to the Financial Statements

## 10. Property, plant and equipment

Movements in	2015/16 Other Land and Buildings £000	2014/15 Other Land and Buildings £000
<b>Cost or Valuation</b>		
<b>At 1 April</b>	<b>20,249</b>	<b>16,190</b>
Additions	131	-
Revaluation increases/(decreases) recognised in the revaluation reserve	60	4059
<b>At 31 March</b>	<b>20,440</b>	<b>20,249</b>
<b>Accumulated Depreciation and Impairment</b>		
<b>At 1 April</b>	<b>(14)</b>	<b>-</b>
Depreciation charge	(1,958)	(1,403)
Depreciation written out to the Revaluation Reserve	1,972	1,389
<b>At 31 March</b>	<b>-</b>	<b>(14)</b>
<b>Net Book Value</b>		
<b>At 1 April</b>	<b>20,235</b>	<b>16,190</b>
<b>At 31 March</b>	<b>20,440</b>	<b>20,235</b>

Crystal Palace National Sports Centre (NSC) and Capel Manor Farm are held as property, plant and equipment. The property forms the National Sports Centre (NSC) providing both wet and dry facilities, outdoor pitches, tennis courts, athletics stadium and residential accommodation. The NSC was constructed in 1964; the Jubilee Stand of the stadium was added in 1977. There have been a number of alterations and additions. The NSC is a Grade II listed building. The property also includes the Capel Manor urban farm which consists of two single storey educational and administration buildings.

### Valuations

The valuations were carried out by external valuers, GL Hearn at 31 March 2016. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors (“the Red Book” (9<sup>th</sup> edition)) and IFRS 13, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

Fair values for the assets held by the Company as Property, Plant and Equipment are calculated using the Depreciated Replacement Cost method due to the specialised nature of the properties and the limited relevant market evidence. This results in these measurements being classified as Level 3 in the fair value hierarchy.

The Depreciated Replacement Cost method involves assessing all the costs of providing a modern equivalent asset using pricing at the date of valuation. In order to assess the price that the buyer would bid for the actual asset, depreciation adjustments have to be made to the gross replacement cost to reflect the differences between it and the modern equivalent. These differences can reflect



## Notes to the Financial Statements

factors such as the comparative age or remaining economic life of the actual asset, the comparative running costs and the comparative efficiency and functionality.

Significant unobservable inputs in Level 3 valuations of property, plant and equipment are the average costs per square foot for a modern equivalent of the Crystal Palace National Sports Centre, the stadium and the lodge. The costs were taken from the Building Cost Information Service provided by the Royal Institution of Chartered Surveyors, and the average square footage (sq. ft.) used ranged from £9 to £200 per sq. ft.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers in or out of Level 3 fair value measurements for property, plant and equipment during the period.

Crystal Palace is held at fair value and at 31 March 2016 had a carrying value of £20.4m, for information, if the Company held this asset at cost, the carrying value would have been £9.5m.

### Fair value gains or losses

In the year ended 31 March 2016 the Company recognised £2.0m of revaluation gains in the Other Comprehensive Income (£5.4m gain in 2014/15).

## 11. Investment properties

The following table summarises the movement in the fair value of investment properties over the period:

	2015/16	2014/15
	£000	£000
<b>Balance at 1 April</b>	<b>53,664</b>	<b>37,326</b>
Disposals	(3,775)	-
Gains and losses included in profit or loss for the year:		
Increase/(decrease) in fair value of investment properties	3,007	16,338
<b>Balance at 31 March</b>	<b>52,896</b>	<b>53,664</b>

Direct operating expenses (including repairs and maintenance) incurred in relation to Investment Properties totalled £2.3m in year (£2.4m in 2014/15).

All valuations were carried out by independent external valuers, GL Hearn and Jones Lang Lasalle at 31 March 2016. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors ("the Red Book" (9th edition)) and in accordance with IFRS 13, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

### Fair value hierarchy

Where deemed appropriate, fair values for investment properties with an income stream are calculated using the direct income capitalisation method. In applying the direct income capitalisation method the rental income less irrecoverable costs of each property is divided by an appropriate capitalisation rate. Other investment properties were valued using the comparison method which uses sales values of comparable sites/properties adjusted as required. These measurements are classified as Level 3 in the fair value hierarchy.

## Notes to the Financial Statements

Recurring fair value measurements using:	Significant unobservable inputs Level 3	Fair Value as at 31 March 2016
	£000	£000
Commercial units	51,936	51,936
Residential properties	960	960
<b>Balance at 31 March</b>	<b>52,896</b>	<b>52,896</b>

### Transfers between levels of the fair value hierarchy

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers in or out of Level 3 fair value measurements for investment properties during the period.

### Significant unobservable inputs in Level 3 valuations

#### 2015/16

Input	Range	Weighted Average	Sensitivity
Rental income less irrecoverable costs	n/a	£179,289	Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value
Capitalisation rate	6.0% - 14%	9.47%	

#### 2014/15

Input	Range	Weighted Average	Sensitivity
Rental income less irrecoverable costs	n/a	£315,074	Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value
Capitalisation rate	6.5% - 14%	9.10%	

# Notes to the Financial Statements

## 12. Loan Investments

	31 March 2016 £000	31 March 2015 £000
Loans to joint venture	32,220	31,418
Infrastructure loans	5,738	5,310
<b>At 31 March</b>	<b>37,958</b>	<b>36,728</b>
	<b>2016 £000</b>	<b>2015 £000</b>
<b>At 1 April</b>	<b>36,728</b>	<b>34,651</b>
Loans issued in year	100	1,070
Interest receivable	883	765
Discount Unwinding	247	242
<b>At 31 March</b>	<b>37,958</b>	<b>36,728</b>

## 13. Available for sale financial assets

Available for sale financial assets are stated at fair value and include the Company's entitlement to future income arising from financial assistance provided to homebuyers to enable them to buy homes; and other equity investments in external organisations.

	31 March 2016 £000	31 March 2015 £000
<b>At 1 April</b>	<b>58,670</b>	<b>60,287</b>
Additions	-	460
Disposals at cost	(6,269)	(4,255)
Fair value adjustment on disposals and revaluations	226	1,884
Impairment reversals	273	294
<b>At 31 March</b>	<b>52,900</b>	<b>58,670</b>

### Fair value hierarchy

Equity Mortgages are all valued with reference to published house price indices; these are Level 2 fair value measurements. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

### Transfers between levels of the fair value hierarchy

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers in or out of Level 2 fair value measurements for available for sale financial assets during the period.

The net change in fair value of available-for-sale financial assets reclassified to profit or loss totalled £4.6m for the period (£3.1m 2014/15); Other Comprehensive Income includes £4.86m of unrealised gains or losses (£4.96m gain in 2014/15).

# Notes to the Financial Statements

## 14. Finance lease receivables

Company as lessor

**Gross investment in the lease is made up of the following amounts:**

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Finance lease debtor (net present value of minimum lease payments):		
Current	4,136	14,909
Non-current	127,706	75,127
Unearned finance income	18,559	14,085
<b>Gross investment in the lease</b>	<b>150,401</b>	<b>104,121</b>

**The gross investment in the lease will be received over the following periods:**

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Not later than one year	4,311	15,480
Later than one year and not later than five years	139,552	81,857
Later than five years	6,538	6,784
	<b>150,401</b>	<b>104,121</b>

**The minimum lease payments will be received over the following periods:**

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Not later than one year	4,136	14,909
Later than one year and not later than five years	125,399	72,722
Later than five years	2,307	2,405
	<b>131,842</b>	<b>90,036</b>

Details of the Company's finance leases as lessor include:

- The London International Exhibition Centre has been granted a 200 year lease ending in 2199 for the ExCel Exhibition Centre land;
- A 95 year lease ending in 2075 with Workspace II Limited for a warehouse, office and secure yard at Quicksilver Place, Wood Green;
- A 99 year lease until 2082 with The Drum Group Limited for a plot of land at Charles Street, London E16;
- A 101 year lease ending in 2110 with London City Airport to allow the installation of airport landing lights at Albert Island, London E16; and

## Notes to the Financial Statements

- A 125 year lease with Siemens until 2136 for the exhibition centre located at the Landmark Site in London E16. The lease permits the exhibition centre to be initially used to showcase and/or promote sustainable technologies and products and/or a conference centre.
- Deferred receipts in relation to various development properties leased on long leases.

### Contingent rent

Lease receivables from a lease with ExCel Exhibition Centre site have been treated as a contingent asset. The Excel lease expires in 2199 and the annual lease receivable is based on the corresponding annual turnover of the centre, the value of the lease is therefore uncertain. The net present value of the estimated cash flows is considered to be between £7m and £20m and £0.7m was receivable in 2015/16 (£0.5m in 2014/15).

## 15. Trade and other receivables

	31 March	31 March
	2016	2015
	£000	£000
<b>Current</b>		
Other trade receivables	26,212	5,133
Accrued income	5,313	2,898
Prepayments	15	19
	<b>31,540</b>	<b>8,050</b>
<b>Non-current</b>		
Amounts due from third parties	180	-
	<b>180</b>	<b>-</b>

## 16. Taxation

### Tax recognised in profit and loss

For the period ended 31 March	2016	2015
	£000	£000
Corporation tax rate on profits for the year	20%	21%
Corporation tax on profits for the year	1,738	862
Prior year adjustment	(395)	-
<b>Current tax charge</b>	<b>1,343</b>	<b>862</b>
Deferred tax on Investment Properties	102	3,497
Effect of tax losses	169	(890)
Effect of reduction in corporation tax rate	-	(173)
<b>Tax expense from continuing operations</b>	<b>1,614</b>	<b>3,296</b>

## Notes to the Financial Statements

### Tax recognised in other comprehensive income

<b>For the period ended 31 March</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Deferred tax	(229)	906

<b>For the period ended 31 March</b>	<b>2016</b>		
	<b>Before tax</b>	<b>Tax</b>	<b>After tax</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revaluation of property plant and equipment	(2,032)	(6)	(2,038)
Net change in value of available for sale financial assets	(4,866)	(223)	(5,089)
Net change in value of available for sale financial assets reclassified to profit or loss	4,640	-	4,640
	<b>(2,258)</b>	<b>(229)</b>	<b>(2,487)</b>

<b>For the period ended 31 March</b>	<b>2015</b>		
	<b>Before tax</b>	<b>Tax</b>	<b>After tax</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Revaluation of property plant and equipment	(5,447)	712	(4,735)
Net change in value of available for sale financial assets	(4,961)	194	(4,767)
Net change in value of available for sale financial assets reclassified to profit or loss	3,076	-	3,076
	<b>(7,332)</b>	<b>906</b>	<b>(6,426)</b>

### Reconciliation of tax charge

<b>For the period ended 31 March</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>(Profit)/Loss before tax</b>	<b>(51,468)</b>	<b>(39,236)</b>

<b>Profit Before Tax multiplied by standard rate of corporation tax in the UK of</b>	<b>20%</b>	<b>21%</b>
	<b>10,293</b>	<b>8,240</b>
Effects of:		
Historic tax basis in development properties	-	51
Prior year adjustments	(395)	-
Disallowable items	263	338
Brought forward losses utilised	(8,319)	(4,241)
Indexation allowance and other differences on capital gains	(274)	(919)
Other differences	46	-
	<b>1,614</b>	<b>3,469</b>
Reduction in tax rate	-	(173)
<b>Total tax charge for the year</b>	<b>1,614</b>	<b>3,296</b>

# Notes to the Financial Statements

## Recognised deferred tax liabilities

	1 April 2015 £000	PYA* £000	Movement in year £000	31 March 2016 £000
Development stock	3,908	-	(169)	3,739
Trading losses	(3,908)	-	169	(3,739)
Accelerated capital allowances	-	-	3	3
<b>Net deferred tax on trading items</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>
Property, plant and equipment	2,502	-	(6)	2,496
Investment properties	3,453	-	268	3,721
Other investments	223	(223)	-	-
<b>Total deferred tax liabilities</b>	<b>6,178</b>	<b>(223)</b>	<b>265</b>	<b>6,220</b>

\*Prior year adjustment

It has been enacted that the standard rate of corporation tax will reduce to 19% from the 1 April 2017 and 18% from the 1 April 2020. The government has however now proposed to reduce the standard rate of corporation tax to 17% from the 1 April 2020.

At these rates of tax, the deferred tax liability would reduce to the amounts shown below:

Deferred tax liability at:	£000
31 March 2018	5,909 at 19%
31 March 2021	5,598 at 18%
31 March 2021	5,287 at 17%

	1 April 2014 £000	PYA* £000	Movement in year £000	Reduction in tax rate £000	31 March 2015 £000
Development stock	3,213	-	890	(195)	3,908
Trading losses	(3,213)	-	(890)	195	(3,908)
<b>Net deferred tax on trading items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Property, plant and equipment	1,790	-	837	(125)	2,502
Investment properties	1,019	-	2,607	(173)	3,453
Other investments	29	184	21	(11)	223
<b>Total deferred tax liabilities</b>	<b>2,838</b>	<b>184</b>	<b>3,465</b>	<b>(309)</b>	<b>6,178</b>

\*Prior year adjustment

## Unrecognised deferred tax asset

	2016 £000	2015 £000
Trading and other losses	194,306	207,899

Most of these deferred tax assets represent trading losses carried forward. A significant part of these trading losses (£84.2m), were inherited from a predecessor bodies under the Localism Act 2011. The availability of these losses has not been agreed with HMRC and could be subject to significant change. Restrictions are likely to arise on the future use of these losses. In particular, the government has announced that it intends to restrict the amount of profits that can be offset by losses carried

## Notes to the Financial Statements

forward to 50% of the amount of profits in excess of £5 million. The government is to consult on this matter and no legislation has yet been brought forward. This measure would take effect from 1 April 2017 and could significantly affect the amount of corporation tax the company pays in future.

It has been enacted that the standard rate of corporation tax will be reduced to 19% from the 1 April 2017 and 18% from the 1 April 2020. At these rates the amount of the un-provided deferred tax asset at 31 March 2016 would reduce to the amounts shown below.

Unrecognised deferred tax asset at:

	<b>£000</b>
31 March 2018	184,591 at 19%
31 March 2021	174,875 at 18%
31 March 2021	165,160 at 17%

### 17. Inventories

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Property/development assets:		
Land and buildings	192,147	221,549
	<b>192,147</b>	<b>221,549</b>
<b>Balance at 1 April</b>	<b>221,549</b>	<b>255,399</b>
Additions in year	14,216	6,304
<b>Included in Cost of Sales:</b>		
Cost of property sold	(44,447)	(43,188)
Write down to net realisable value	(982)	(2,721)
Reversal of write downs	1,811	5,755
<b>Balance at 31 March</b>	<b>192,147</b>	<b>221,549</b>

#### Cost of inventory sold

Inventory consists of property/development assets. Disposals during the year amounted to £44.4m (2014/15 - £43.2m) and this amount is offset, in the Statement of Comprehensive Income, against disposal proceeds received.

#### Write down to net realisable value

Where the market value of a property/development asset is lower than costs incurred on that asset, the reduction is written off to profit or loss within Cost of Sales. Write downs during the period amounted to £0.98m (2014/15 - £2.7m).

#### Reversal of write downs

The write-back of £1.8m is the result of an increase in value on the previous year for three sites in the Greater London area. £1.3m relates to one site, which is currently being marketed for sale and reflects the increase in residential land values; the balance of £0.5m is due to increases in value in the local industrial property market.



## Notes to the Financial Statements

### Valuation

The realisable value of the Company's development properties at 31 March 2016 has been based on a valuation carried out at that date by external valuers, GL Hearn and Jones Lang Lasalle. An estimate of selling costs has been deducted from the valuation to determine the net realisable value.

Valuations were carried out in accordance with the Practice Statements contained in RICS Valuation – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors (“the Red Book” (9th edition)), by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

### 18. Cash and cash equivalents

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Bank current accounts	9,683	784
Other deposits	55,380	25,049
	<b>65,063</b>	<b>25,833</b>

### 19. Trade and other payables

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
<b>Current</b>		
Trade payables due to related parties	(5,399)	(14,246)
Other trade payables	(4,086)	(7,772)
Accrued expenses	(23,651)	(13,285)
Corporation tax payable	(1,104)	(352)
Deferred income	(312)	(390)
	<b>(34,552)</b>	<b>(36,045)</b>
<b>Non-current</b>		
Other trade payables	(1,856)	(1,590)
Deferred income	(10,560)	(4,389)
	<b>(12,416)</b>	<b>(5,979)</b>

### 20. Finance lease liabilities

#### Company as lessee

The Company holds a proportion of its property, plant and equipment and inventory under finance lease arrangements.

The assets acquired under these leases are carried in the Statement of Financial Position at the following net amounts:

## Notes to the Financial Statements

	31 March 2016	31 March 2015
	<b>£000</b>	<b>£000</b>
<b>Carrying value of assets</b>		
Other Land and Buildings	20,440	20,235
Development Properties	845	4,585
	<b>21,285</b>	<b>24,820</b>

The Company is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable in future years while the liability remains outstanding.

The future minimum lease payments are made up of the following amounts:

	31 March 2016	31 March 2015
	<b>£000</b>	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments):		
Current	1	1
Non-current	40	327
Finance costs payable in future years	52	893
<b>Minimum lease payments</b>	<b>93</b>	<b>1,221</b>

The minimum lease payments will be payable over the following periods:

	31 March 2016	31 March 2015
	<b>£000</b>	<b>£000</b>
Not later than one year	3	15
Later than one year and not later than five years	11	61
Later than five years	80	1,145
	<b>93</b>	<b>1,221</b>

The present value of the minimum lease payments:

	31 March 2016	31 March 2015
	<b>£000</b>	<b>£000</b>
Not later than one year	1	1
Later than one year and not later than five years	4	5
Later than five years	36	321
	<b>41</b>	<b>328</b>

## Notes to the Financial Statements

Details of the Company's finance leases as lessee include:

Held as Property, Plant and Equipment on the Statement of Financial Position:

- The Crystal Palace 125 year leases with the London Borough of Bromley that expire in 2131. The leases cover the National Sports Centre, Capel Manor Farm, a lodge and residential properties.

Held as Inventory on the Statement of Financial Position:

- A long term lease of 99 years with Network Rail, expiring in 2069, for the land and railway arches at Stephenson Street (ex Parcellforce Site) in West Ham providing part of the access to the larger freehold adjoining property belonging to the Company.
- Two long leases (57 and 60 years long) the Company took out with the London Borough of Newham at Thames Wharf as part of the larger property. Both leases expire in 2026;
- 20 Newburn Street Kennington London - this property is leased from London Housing Quadrant on a 125 year lease ending in 2129. It has subsequently been leased out on peppercorn rental to Riverside Community Development Trust; and
- CEME - this property is leased from Ford Motor Company on a 125 year lease ending in 2126.

### 21. Financial instruments

#### Categories of financial instruments

The following categories of financial instrument are carried in the Balance Sheet.

## Notes to the Financial Statements

	Carrying Value 31 March 2016 £000	Carrying Value 31 March 2015 £000
<b>Investments-Non-current</b>		
Loans and receivables at amortised costs	37,958	36,728
Available-for-sale financial assets	52,900	58,670
<b>Total investments</b>	<b>90,858</b>	<b>95,398</b>
<b>Receivables Non-current</b>		
Loans and receivables at amortised costs	180	297
Finance lease receivables	127,706	75,127
<b>Total Receivables</b>	<b>127,886</b>	<b>75,424</b>
<b>Borrowings-Non current</b>		
Financial liabilities at amortised costs	(300,000)	(300,000)
<b>Total borrowings</b>	<b>(300,000)</b>	<b>(300,000)</b>
<b>Other Non current Liabilities</b>		
Finance lease liabilities	(40)	(327)
<b>Total other Non current liabilities</b>	<b>(40)</b>	<b>(327)</b>
<b>Payables Non-current</b>		
Financial liabilities at amortised costs	(1,856)	(1,590)
<b>Total Payables</b>	<b>(1,856)</b>	<b>(1,590)</b>

## Notes to the Financial Statements

	Carrying Value 31 March 2016 £000	Carrying Value 31 March 2015 £000
<b>Receivables Current</b>		
Loans and receivables at amortised costs	31,500	7,976
Finance lease receivables	4,136	14,909
<b>Total Debtors</b>	<b>35,636</b>	<b>22,885</b>
<b>Cash and cash equivalents</b>		
	<b>65,063</b>	<b>25,833</b>
<b>Borrowings Current</b>		
Financial liabilities at amortised costs	(20,000)	-
<b>Total borrowings</b>	<b>(20,000)</b>	<b>-</b>
<b>Other Current Liabilities</b>		
Finance lease liabilities	(1)	(1)
<b>Total other current liabilities</b>	<b>(1)</b>	<b>(1)</b>
<b>Payables Current</b>		
Financial liabilities at amortised costs	(33,144)	(29,481)
<b>Total Payables</b>	<b>(33,144)</b>	<b>(29,481)</b>

### Unquoted equity investments at cost

The Greater London Authority transferred its share holdings in RoDMA to the Company for nil consideration on 3 October 2013. As RoDMA shares are not quoted on an active market the fair value of the shares cannot be measured reliably and the investment is held at nil cost.

The Company disposes of shares in RoDMA as and when leases are granted by RoDMA to new leaseholders.

### Fair values of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Statement of Financial Position at amortised cost. Their fair value can be assessed by calculating the net present value (NPV) of the cash flows that will take place over the remaining term of the instruments, using the following assumptions and Level 2 valuation inputs:

- Published market data for comparable instruments at 31 March 2016 are used to obtain discount rates for long term borrowings;
- Where borrowing will mature within 12 months, carrying amount is assumed to approximate to fair value;
- The discount rates used to determine the net present values of investments are the market rates available as at 31 March 2016 for new instruments equivalent to those under consideration. For investments maturing within 12 months or with rates programmed to vary with an underlying interest rate measure (such as base rate) where the next rate revision will occur within 12 months, carrying amount is assumed to approximate to fair value; and

## Notes to the Financial Statements

- The fair value of trade and other receivables and payables due within 12 months is taken to be the invoiced or billed amount.

Fair values of assets and liabilities	31 March	31 March	31 March	31 March
	2016	2016	2015	2015
	Carrying		Carrying	
	amount	Fair Value	amount	Fair Value
	£000	£000	£000	£000
Borrowing Non-current	(300,000)	(323,738)	(300,000)	(321,917)
Borrowing Current	(20,000)	(20,000)	-	-
	Carrying		Carrying	
	amount	Fair Value	amount	Fair Value
	£000	£000	£000	£000
Loan Investments Non-current and current	37,958	37,958	36,728	36,728
Available for sale financial assets Non-current	52,900	52,900	58,670	58,670

The fair value of borrowing is higher than the carrying amount because the interest rate payable on the Company's loan portfolio is higher than the prevailing rates at the Statement of Financial Position date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to the Greater London Authority above current market rates.

The Company's investments materially consist of transferred loans made in respect of development agreements entered into by the Homes and Communities Agency in London. All interest bearing instruments either mature within 12 months of the Statement of Financial Position date or are subject to a revision of interest rate within this period so the carrying amount approximates the fair value. One agreement is an interest free loan which has been impaired to reflect the Company's view of collectability and discounted by an appropriate rate. In the absence of any market comparator for such an arrangement, the carrying value is assumed to approximate the fair value.

### 22. Financial risk management

The Company's activities expose it to a variety of financial risks including:

- credit risk- the possibility that other parties might fail to pay amounts due
- liquidity risk- the possibility that the Company may not have the funds available to meet its commitments to make payment
- market risk-the possibility that financial loss might arise as a result of changes in interest rates

These risks are considered by the directors and managed as set out below. Day to day management of the Company's cash position is delegated to the ultimate parent, the Greater London Authority, which maintains a professional group treasury team.

#### Credit risk

The Company's policy is to place all funds surplus to the current account balance required to make payments, on callable deposit with its ultimate parent, the Greater London Authority. The GLA has

## Notes to the Financial Statements

exceptionally high credit standing (AA+ Stable) and high levels of central government support. Therefore the Company considers credit risk arising from cash and short term deposits to be adequately minimised. There has been no historical experience of default by a UK local authority.

The Company is exposed to risk of default on the loan investments referred to in Note 12. None of the counterparties currently hold credit ratings, nor has the company experienced default from similar instruments in the past, so it is not possible to quantify the current exposure. The agreements and the financial standing of the counterparties are routinely monitored by the ultimate parent's group treasury team with a view to early management of any risks arising.

The maximum exposure to credit risk on receivables at 31 March 2016 is £31.5m (£7.9m - 31 March 2015).

### Liquidity risk

All of the Company's cash is accessible immediately being held on callable deposit with the ultimate parent or in the Company's current account with its bankers. The ultimate parent's group treasury team monitor the current account and release funds from deposit as required.

The Company's cash flow requirements are forecast and planned as part of a comprehensive, group-wide process, with the ultimate parent having exceptional access to liquidity.

There is no significant risk of the Company being unable to meet its financial obligations as they fall due.

	Interest rate	31 March 2016 £000	31 March 2015 £000
<b>Non-current</b>			
Amounts due to ultimate parent	Fixed: 3.33%	(300,000)	(300,000)
<b>Current</b>			
Amounts due to ultimate parent	Variable: EU reference rate plus 0.6%	(20,000)	-

The maturity analysis of current and non-current borrowings is as follows:

	31 March 2016 £000	31 March 2015 £000
Within one year	(20,000)	-
Greater than one and up to two years	(35,000)	-
Greater than two and up to five years	(70,000)	(70,000)
Greater than five and up to ten years	(155,000)	(185,000)
More than ten years	(40,000)	(45,000)
	<b>(320,000)</b>	<b>(300,000)</b>

# Notes to the Financial Statements

## Market risk

The Company has no exposure to negotiable or quoted instruments and is not exposed to any losses as a result of market movements.

## Loan investments

£23.8m of the Company's investments attract interest on a variable rate basis. A 1% rise in interest rates would deliver an additional £0.2m in interest receivable whereas a fall would lead to a reduction in receipts of £0.1m. The amounts are not equal because the current relevant rates are below 1%.

## Equity mortgages

At 31 March 2016, if UK house prices had been 1% lower and all other variables were held constant, the Company's house price linked financial assets, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £0.6m, with a corresponding reduction in both the result for the year and equity.

## 23. Provisions

	<b>Other Provisions</b>	<b>CPO Provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2015</b>	<b>(5,271)</b>	<b>(7,971)</b>	<b>(13,242)</b>
Additional provisions made during the period	(1,300)	(3,177)	<b>(4,477)</b>
Amounts used in year	433	4,236	<b>4,669</b>
Unused amounts reversed in year	387	3,556	<b>3,943</b>
Reclassifications	3,000	-	<b>3,000</b>
<b>Balance at 31 March 2016</b>	<b>(2,751)</b>	<b>(3,356)</b>	<b>(6,107)</b>

## Compulsory purchase orders (CPO)

The CPO provision of £3.4m is the forecast of liabilities for which a binding commitment has been made as at 31 March. The provision amount has been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of the liability and the need to negotiate settlement amounts, there is considerable uncertainty on when the CPO cases will be settled and the amount of the final agreed payment. At present it is expected that payments will be made in 2016/17.

## Other provisions

**Thames Wharf drainage works** - a provision of £0.75m is included in the closing balance for costs in relation to Thames Wharf development property. The drainage works are now expected to be undertaken in 2016/17, in phases. The costs are indicative and the Company is working with consultants to firm up the costs.

**Commercial waste disposal** - the Company has an obligation for the safe disposal of approximately 24,000 tonnes of commercial waste at the Hunts' Waste transfer station. The Company has entered



## Notes to the Financial Statements

into a contract with a third party for the disposal of waste in 2016/17 and the £3m liability has been reclassified as a creditor.

**Millfield transfer Station** – the Company, along with the London Borough of Hackney, has an obligation to undertake repairs and other works at the Millfield Transfer Station. The obligation arises from a landfill site relocation for the 2012 Olympics. The works are expected to be completed in 2016/17 and are expected to cost £0.3m.

**Fly-tipping costs** – the Company has an obligation to dispose of approximately 3,600 tonnes of waste, arising from fly-tipping, at the London Sustainable Industrial Park (LSIP) at Dagenham Dock and at other sites. The waste material will require sorting on site before disposal to a licensed landfill. The disposal costs for LSIP are currently estimated at £0.5m and £0.2m has been provided for in respect of Stephenson Street, Dock Road and Beam Park sites. The costs are likely to be incurred in the 2016/17 financial year but this is dependent on the rate at which the sorting of material on site prior to disposal progresses.

**Rent and rates provision** – a subtenant has gone into administration and the Company is liable for the rent and rates accruing on the underlease. Negotiations are underway to release GLA Land and Property Ltd from its obligation and a provision has been raised for £1.3m. It is likely to be settled in the 2016/17 financial year.

**Business rates Stephenson Street** – a provision of £0.3m in respect of business rates at Stephenson Street has been released in 2015/16.

**Drainage costs** - a provision made in respect of costs arising from a blocked sewer pipe on a site has been released in 2015/16 as it has been determined that the Company is not liable for these costs.

### 24. Contingent liabilities and assets

#### Contingent liabilities

The Company inherited a register of potential assets and liabilities and has reviewed this as part of the closure of accounts process. This register holds information on the nature of potential obligating events, nature of any uncertainty and likelihood of occurrence.

The contingent liabilities relate to a number of potential claims, rights of use, restrictive covenants or dependencies on planning permission in relation to land assets hence their possible outcome - the following balance summarises all those where the likelihood of occurrence is considered possible.

	<b>31 March</b>	<b>31 March</b>
	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Contingent Liabilities	(56,602)	(7,652)

#### S106 Agreements

Planning obligations are created under Section 106 of the Town and Country Planning Act 1990. They are legally binding obligations that are attached to a piece of land and are registered as local land charges against that piece of land. Planning obligations enable local authorities to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

## Notes to the Financial Statements

The Company has also inherited a number of S106 agreements, many of which have now expired or obligations have previously been met by the London Development Agency or the Developer. Of those remaining the obligation is either unquantifiable, to be met by the developer or non-financial in nature and have not been provided for as at 31 March 2016.

### Contingent assets

There are no probable contingent assets that require disclosure.

## 25. Contractual commitments

Contractual commitments in respect of works on properties are as follows:

<b>Project description</b>	<b>31 March</b>	<b>31 March</b>
	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Silvertown Partnership	1,128	2,300
LSIP North Infrastructure	265	1,427
LSIP Infra Adoptions	175	-
Greenwich Peninsula	-	1,868
Greenwich Square	-	3,120
LSIP Southern Access Road	-	1,260
	<b>1,568</b>	<b>9,975</b>

## 26. Cash Flow

### Adjustments to profit and loss for non-cash movements:

<b>For the period ended 31 March</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Depreciation of property, plant and equipment	(1,958)	(1,403)
Impairment of available for sale financial assets	273	294
Change in fair value of investment property	3,007	16,338
Movement in interest receivable	885	765
Other non cash movements	247	242
(Increase)/ decrease in payables	(4,191)	(23,864)
Increase/(decrease) in receivables	65,159	(3,436)
Increase/ (decrease) in inventory	(29,402)	(33,849)
(Increase)/ decrease in provisions	7,135	11,667
Increase/(decrease) in finance lease receivables	(21,048)	51,657
Tax expense	(1,025)	(3,260)
	<b>19,082</b>	<b>15,151</b>

# Notes to the Financial Statements

## Adjustments to profit and loss for investing and financing activities:

For the period ended 31 March	2016 £000	2015 £000
Gain/(loss) on available for sale financial assets	5,356	3,555
Gain/(loss) on sale of investment property	5,471	-
	<b>10,827</b>	<b>3,555</b>

## Cash Flow Statement – included in operating activities

For the period ended 31 March	2016 £000	2015 £000
Interest received	(255)	(189)
Interest paid	9,998	10,006
Corporation tax paid	588	510

## Cash Flow Statement – Investing Activities

For the period ended 31 March	2016 £000	2015 £000
Purchase of property, plant and equipment, investment property and intangible assets	131	-
Purchase of short-term and long-term investments	100	1,070
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(8,960)	-
Proceeds from the sale of available for sale financial assets	(10,556)	(7,810)
<b>Net cash flows from investing activities</b>	<b>(19,285)</b>	<b>(6,740)</b>

## 27. Capital and Reserves

### Ordinary shares

On incorporation the Company issued one share of £1 and this is held by the parent, Greater London Authority Holdings Limited.

### Nature and purpose of reserves

#### Pooling of interests reserve

The Pooling of Interests reserve comprises the consolidation adjustments that arise when accounting for business combinations under the pooling of interest method

#### Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

# Notes to the Financial Statements

## Revaluation reserve

The Revaluation Reserve contains the gains arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired or when assets are disposed of and the gains are realised.

## 28. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Greater London Authority Holdings Limited which is itself a wholly owned subsidiary of the Greater London Authority. The board members of both companies are appointed by the Mayor of London. Copies of the Greater London Authority's accounts are available from City Hall, More London, London, SE1 2AA.

## 29. Related Parties

All transactions with related parties are on arm's length terms.

### Transactions with ultimate parent

During the year, the Greater London Authority (GLA) charged the Company £3.9m for staff, accommodation and other overhead costs (£3.6 - 2014/15).

On 31 March 2016, the Greater London Authority advanced £20m to the Company. This new loan is repayable on demand and will finance on loans to housing developers. This brings the total borrowing from the GLA to £320m. In year, interest of £9.9m was paid to the GLA (£9.9m - 2014/15) (see notes 21 and 22 for further details).

At 31 March 2016, the Company had £55m invested with the GLA and received £0.1m of interest in relation to loan investments placed during the year.

The balances owed to the GLA, at 31 March 2016, are reported in notes 19.

### Transactions with joint venture

#### Barking Riverside Limited

In 2015/16, Bellway Homes PLC transferred its holdings in Barking Riverside Ltd to London & Quadrant New Homes Ltd so Barking Riverside Limited is now a joint venture between London & Quadrant New Homes Limited and GLA Land and Property Limited.

The joint venture company is leading on the delivery of the new Barking Riverside neighbourhood. The site is being remediated and site wide infrastructure developed to allow the release of plots for residential and commercial development.

GLA Land and Property Limited holds 49% of the share capital and 50% of the voting rights.

GLA Land and Property Limited acquired, from the Homes and Communities Agency, loan investments provided to Barking Riverside Limited (see note 12) and has provided a statement of intent letter to Barking Riverside Limited that it does not intend to exercise its right to on-demand repayment of the loan balance outstanding for one year from the date of the letter, and that it will continue to provide financial and other support to Barking Riverside Limited for the next twelve months to enable it to continue to trade.

## Notes to the Financial Statements

- Other than the capitalisation of £0.55m interest receivable on the loan investment, there were no transactions between the Company and Barking Riverside Limited in the period ended 31 March 2016.

### Transactions with Associates

#### Royal Docks Management Authority Limited

The Royal Docks Management Authority Limited (RoDMA), established in 1990, holds a 225 year lease of the water areas and associated marine infrastructure of the Royal Docks and is responsible for their control and management.

At 31 March 2016, the Company holds 96.4% of the RoDMA shares and 40.3% of the voting rights. The Department for Environment Food and Rural Affairs holds a special share which gives it control over key decisions, the Company therefore has significant influence but does not control RoDMA. RoDMA is held as an associate in the Company's financial statements but, as it was acquired at nil cost, there is no carrying value in the Company's accounts.

During 2015/16, £0.5m was payable to RoDMA for service charges and insurance.

### Other related parties

#### Barking Riverside Community Development C.I.C

Barking Riverside Community Development C.I.C's activities are to provide benefit to those living and/or working at the Barking Riverside development through the provision of housing and community facilities and services. The company is also responsible for the long term stewardship of the development following the first occupation. The directors of the Barking Riverside Community Development C.I.C's are also members of the company and each member has provided a £1 guarantee in the event of the company being wound up.

There are four directors, two of which are can be appointed by London & Quadrant New Homes Limited. At 31 March 2016, one GLA staff member had been appointed as a director.

- There were no transactions between the Company and Barking Riverside Community Development C.I.C in the year ended 31 March 2016.

#### GMV Management Limited

GMV Management Limited's sole purpose is to provide management services to Greenwich Millennium Village. During 2015/16 the Company withdrew its representative from the board of directors as the company is now well established and the board now consists primarily of residents.

#### Greenwich Peninsula Estate Management Limited

Greenwich Peninsula Estate Management Limited was established to manage, maintain and administer the Greenwich Peninsula estate. The Company appoints one out of seven directors.

- There were no transactions between the Company and Greenwich Peninsula Estate Management Limited in the year ended 31 March 2016.

### 30. Events occurring after the reporting date

Following the majority vote to end the United Kingdom's ("UK") membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating

## Notes to the Financial Statements

agencies (Standard & Poor's, Fitch and Moody's) downgraded the UK Sovereign credit rating. There is likely to be an impact on GLAP's property valuations and the valuation of available for sale financial assets, if confidence in the wider UK property market falls. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event. There have been no other events occurring after the reporting date that would have a material impact on these financial statements.

